

COUNTY OF GLASSCOCK  
Annual Financial Report  
Year Ended September 30, 2007

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FINANCIAL SECTION

# ECKERT, INGRUM, TINKLER, OLIPHANT, FEATHERSTON & BARR, L.L.P.

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## INDEPENDENT AUDITORS' REPORT

The Honorable County Judge  
and Commissioners' Court  
County of Glasscock  
P.O. Box 67  
Garden City, TX 79739-0067

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Section I., Note C., the County's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of September 30, 2007, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Section I., Note C.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008, on our consideration of the County of Glasscock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 3 through 8 and 29 through 30, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable County Judge  
and Commissioners' Court  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Glasscock's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Eckert, Ingram, Jinkler, Oliphant, Featherston & Barr, L.L.P.*

January 28, 2008

**COUNTY COMMISSIONERS  
GLASSCOCK COUNTY**

**P.O. BOX 67**

**GARDEN CITY, TEXAS 79739**

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**Commissioners**

**Jimmy Strube Pct. 1**

**Mark Halfmann Pct. 2**

**Marck Schafer Pct. 3**

**Michael Hoch Pct. 4**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**UNAUDITED**

Our discussion and analysis of the County of Glasscock's financial performance provides an overview of the County's financial activities for the year ended September 30, 2007, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditors' report.

**Financial Highlights - Modified Cash Basis of Accounting**

The County's assets exceeded its liabilities at the end of the current year by \$4,794,433 (net assets). Of this amount, \$1,687,878 (unrestricted net assets) may be used to meet the County's ongoing obligations.

The County's total net assets increased by \$479,655 as a result of current year operations. The County's statement of activities shows total revenues of \$3,143,126 and total expenses of \$2,663,471.

The total fund balance, all of which is unreserved, of the General Fund was \$1,539,741 which was an increase of \$415,613 compared to the prior year.

**Overview of the Financial Statements**

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### UNAUDITED

#### Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net assets changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. Business-type activities consist of a water system.

The County has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Special Revenue Funds, and Debt Service Fund.

**Proprietary Funds** - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water system.

**Fiduciary Funds** - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**UNAUDITED**

**Government-Wide Financial Analysis**

**Net Assets** - A summary of the County's net assets is presented below:

**NET ASSETS - MODIFIED CASH BASIS**

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 1,639,040	\$ 1,301,022	\$ 58,606	\$ 53,669	\$ 1,697,646	\$ 1,354,691
Capital Assets	1,802,978	1,726,270	1,303,577	1,343,936	3,106,555	3,070,206
<b>Total Assets</b>	<b>\$ 3,442,018</b>	<b>\$ 3,027,292</b>	<b>\$ 1,362,183</b>	<b>\$ 1,397,605</b>	<b>\$ 4,804,201</b>	<b>\$ 4,424,897</b>
Liabilities	\$ 9,768	\$ 110,119	\$ 0	\$ 0	\$ 9,768	\$ 110,119
<b>Net Assets</b>						
Invested in Capital Assets	\$ 1,802,978	\$ 1,726,270	\$ 1,303,577	\$ 1,343,936	\$ 3,106,555	\$ 3,070,206
Unrestricted	1,629,272	1,190,903	58,606	53,669	1,687,878	1,244,572
<b>Total Net Assets</b>	<b>\$ 3,432,250</b>	<b>\$ 2,917,173</b>	<b>\$ 1,362,183</b>	<b>\$ 1,397,605</b>	<b>\$ 4,794,433</b>	<b>\$ 4,314,778</b>

A large portion of the County's net assets resulting from modified cash basis transactions (\$3,106,555) reflects the County's investment in capital assets (land, buildings and equipment). These assets are not available for future spending. The remaining balance of unrestricted net assets (\$1,687,878) may be used to meet the County's ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**UNAUDITED**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - For the fiscal years ended September 30, 2007 and 2006, governmental activities increased the County's net assets resulting from modified cash basis transactions by \$515,077 and \$127,366, respectively, while business-type activities decreased the County's net assets resulting from modified cash basis transactions by \$35,422 and \$38,493, respectively. Key elements of these increases (decreases) are as follows:

**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended September 30,				2007	2006
	2007	2006	2007	2006		
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 514,693	\$ 336,756	\$ 47,169	\$ 53,921	\$ 561,862	\$ 390,677
Operating Grants and Contributions	25,520	24,333	0	0	25,520	24,333
General Revenues						
Maintenance and Operations Taxes	2,411,490	2,224,277	0	0	2,411,490	2,224,277
Debt Service Taxes	0	9,732	0	0	0	9,732
Investment Earnings	97,237	77,912	2,858	2,196	100,095	80,108
Other	44,159	52,261	0	0	44,159	52,261
<b>Total Revenues</b>	<b>\$ 3,093,099</b>	<b>\$ 2,725,271</b>	<b>\$ 50,027</b>	<b>\$ 56,117</b>	<b>\$ 3,143,126</b>	<b>\$ 2,781,388</b>
<b>Expenses</b>						
General Government	\$ 869,485	\$ 789,904	\$ 0	\$ 0	\$ 869,485	\$ 789,904
Roads and Bridges	1,073,323	1,206,957	0	0	1,073,323	1,206,957
Justice System	158,896	122,275	0	0	158,896	122,275
Public Safety	304,992	320,522	0	0	304,992	320,522
Public Health and Welfare	28,370	24,250	0	0	28,370	24,250
Culture and Education	86,779	72,371	0	0	86,779	72,371
Community and Economic Development	56,177	54,537	0	0	56,177	54,537
Debt Service	0	7,089	0	0	0	7,089
Water	0	0	85,449	94,610	85,449	94,610
<b>Total Expenses</b>	<b>\$ 2,578,022</b>	<b>\$ 2,597,905</b>	<b>\$ 85,449</b>	<b>\$ 94,610</b>	<b>\$ 2,663,471</b>	<b>\$ 2,692,515</b>
<b>Change in Net Assets</b>	<b>\$ 515,077</b>	<b>\$ 127,366</b>	<b>\$ (35,422)</b>	<b>\$ (38,493)</b>	<b>\$ 479,655</b>	<b>\$ 88,873</b>
<b>Net Assets - Beginning</b>	<b>2,917,173</b>	<b>2,784,788</b>	<b>1,397,605</b>	<b>1,436,098</b>	<b>4,314,778</b>	<b>4,220,886</b>
<b>Prior Period Adjustment</b>	<b>0</b>	<b>5,019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,019</b>
<b>Net Assets - Ending</b>	<b>\$ 3,432,250</b>	<b>\$ 2,917,173</b>	<b>\$ 1,362,183</b>	<b>\$ 1,397,605</b>	<b>\$ 4,794,433</b>	<b>\$ 4,314,778</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### UNAUDITED

#### Government-Wide Financial Analysis - Continued

The above "Changes in Net Assets" reflects the following:

##### Governmental Activities

- The total cost of all governmental activities this year was \$2,578,022.
- Some costs, \$514,693 were recovered through charges for services from those who directly benefited from the programs.
- Other costs, \$25,520, were recovered through operating grants and contributions.
- The total net cost of all governmental activities this year (total cost less program revenues) was \$2,037,809.
- The amount paid by taxpayers for these activities through property taxes was \$2,411,490.
- The amount funded by investment earnings and other revenues was \$141,396.

##### Business-Type Activities

- The total cost of all business-type activities this year was \$85,449.
- Charges for services from those who directly benefited from the programs were \$47,169.
- The total net cost of all business-type activities this year was \$38,280.
- Investment earnings generated additional revenues of \$2,858.

#### Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$1,629,272, an increase of \$438,369 in comparison with the prior year. This total amount constitutes unreserved fund balance, which is available for spending at the County's discretion.

**Proprietary Funds** - The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets amounted to \$58,606. Total net assets decreased \$35,422.

#### General Fund Budget

The original and final amended budget for the General Fund was \$2,924,914. None of the variances between the original budget and the final amended budget were significant.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**UNAUDITED**

**Capital Assets and Debt - Modified Cash Basis**

**Capital Assets** - The County's investment in capital assets, net of depreciation, for its governmental type activities as of September 30, 2007 and 2006, was \$1,802,978 and \$1,726,270, respectively. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Major additions during the current year included two dump trucks and a car for the Sheriff's Department.

The County's investment in capital assets, net of depreciation, for its business-type activities as of September 30, 2007 and 2006, was \$1,303,577, and \$1,343,936, respectively. This investment in capital assets includes land and the water system.

**CAPITAL ASSETS NET OF DEPRECIATION - MODIFIED CASH BASIS**

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2007	2006	2007	2006	2007	2006
Land	\$ 133,519	\$ 133,519	\$ 20,000	\$ 20,000	\$ 153,519	\$ 153,519
Buildings and Improvements	975,633	993,892	0	0	975,633	993,892
Water System	0	0	1,283,577	1,323,936	1,283,577	1,323,936
Machinery and Equipment	693,826	588,884	0	0	693,826	588,884
Construction in Progress	0	9,975	0	0	0	9,975
<b>Totals</b>	<b>\$ 1,802,978</b>	<b>\$ 1,726,270</b>	<b>\$ 1,303,577</b>	<b>\$ 1,343,936</b>	<b>\$ 3,106,555</b>	<b>\$ 3,070,206</b>

**Long-Term Debt** - The County had no long-term debt outstanding.

**Economic Factors and Next Year's Budget**

The County has adopted a budget for the General Fund in the amount of \$3,202,073, for the fiscal year 2008, which is an increase of \$277,159 from the fiscal year 2007.

The County's assessed valuation for property taxes is \$774,353,970 for the fiscal year 2008, which is an increase of \$98,967,720 from the fiscal year 2007.

The County's total tax rate for property taxes is \$.343165 for the fiscal year 2008, which is a decrease of \$.019135 from the fiscal year 2007.

The County's total tax levy for property taxes is \$2,657,312 for the fiscal year 2008, which is an increase of \$210,391 from the fiscal year 2007.

**Requests for Information**

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Wilburn Bednar, County Judge, County of Glasscock, P.O. Box 67, Garden City, TX 79739-0067.

Basic Financial Statements

COUNTY OF GLASSCOCK  
Statement of Net Assets - Modified Cash Basis  
September 30, 2007

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash	\$ 511,978	\$ 611	\$ 512,589
TexPool	1,096,340	57,995	1,154,335
Due from Fiduciary Funds	30,722	0	30,722
Capital Assets (Net of Accumulated Depreciation):			
Land	133,519	20,000	153,519
Buildings and Improvements	975,633	0	975,633
Water System	0	1,283,577	1,283,577
Machinery and Equipment	693,826	0	693,826
Total Assets	\$ 3,442,018	\$ 1,362,183	\$ 4,804,201
<u>LIABILITIES</u>			
Sales Tax Payable	\$ 805	\$ 0	\$ 805
Due to Other Governments	8,963	0	8,963
Total Liabilities	\$ 9,768	\$ 0	\$ 9,768
<u>NET ASSETS</u>			
Invested in Capital Assets	\$ 1,802,978	\$ 1,303,577	\$ 3,106,555
Unrestricted	1,629,272	58,606	1,687,878
Total Net Assets	\$ 3,432,250	\$ 1,362,183	\$ 4,794,433

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Governmental Activities:						
General Government	\$ 869,485	\$ 324,870	\$ 15,000	\$ (529,615)	\$ 0	\$ (529,615)
Roads and Bridges	1,073,323	79,211	10,520	(983,592)	0	(983,592)
Justice System	158,896	108,407	0	(50,489)	0	(50,489)
Public Safety	304,992	0	0	(304,992)	0	(304,992)
Public Health and Welfare	28,370	0	0	(28,370)	0	(28,370)
Culture and Education	86,779	0	0	(86,779)	0	(86,779)
Community and Economic Development	56,177	2,205	0	(53,972)	0	(53,972)
Total Governmental Activities	\$ 2,578,022	\$ 514,693	\$ 25,520	\$ (2,037,809)	\$ 0	\$ (2,037,809)
Business-Type Activities:						
Water System	85,449	47,169	0	0	(38,280)	(38,280)
Total	\$ 2,663,471	\$ 561,862	\$ 25,520	\$ (2,037,809)	\$ (38,280)	\$ (2,076,089)
General Revenues						
Property Taxes - Operations				\$ 2,411,490	\$ 0	\$ 2,411,490
Investment Earnings				97,237	2,858	100,095
Miscellaneous				44,159	0	44,159
Total General Revenues				\$ 2,552,886	\$ 2,858	\$ 2,555,744
Change in Net Assets				\$ 515,077	\$ (35,422)	\$ 479,655
Net Assets - Beginning				2,917,173	1,397,605	4,314,778
Net Assets - Ending				\$ 3,432,250	\$ 1,362,183	\$ 4,794,433

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 September 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 505,854	\$ 6,124	\$ 511,978
TexPool	1,015,065	81,275	1,096,340
Due from Other Funds	28,590	2,132	30,722
Total Assets	\$ 1,549,509	\$ 89,531	\$ 1,639,040
<u>LIABILITIES</u>			
Sales Tax Payable	\$ 805	\$ 0	\$ 805
Due to Other Governments	8,963	0	8,963
Total Liabilities	\$ 9,768	\$ 0	\$ 9,768
<u>FUND BALANCES</u>			
Unreserved, Reported in:			
General Fund	\$ 1,539,741	\$ 0	\$ 1,539,741
Special Revenue Funds	0	89,531	89,531
Total Fund Balances	\$ 1,539,741	\$ 89,531	\$ 1,629,272
Total Liabilities and Fund Balances	\$ 1,549,509	\$ 89,531	\$ 1,639,040

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets - Modified Cash Basis  
September 30, 2007

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,629,272
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net assets.	1,726,270
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net assets.	287,724
The gross amount received from the sale of capital assets used in governmental activities is reported in the governmental funds as other financing sources. In the government-wide financial statements sales proceeds are reduced by the remaining depreciable basis of the assets. The net effect of the remaining depreciable basis is to decrease net assets.	(3,802)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	<u>(207,214)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 3,432,250</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis  
 Governmental Funds  
 Year Ended September 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>			
Taxes	\$ 2,411,489	\$ 0	\$ 2,411,489
Fees	292,579	19,010	311,589
Fines	22,795	0	22,795
Intergovernmental	128,054	0	128,054
Interest	93,874	3,363	97,237
Miscellaneous	124,854	883	125,737
	<b>\$ 3,073,645</b>	<b>\$ 23,256</b>	<b>\$ 3,096,901</b>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	\$ 886,308	\$ 0	\$ 886,308
Roads and Bridges	1,206,093	0	1,206,093
Justice System	141,827	0	141,827
Public Safety	275,151	500	275,651
Public Health and Welfare	42,192	0	42,192
Culture and Education	79,505	0	79,505
Community and Economic Development	26,956	0	26,956
	<b>\$ 2,658,032</b>	<b>\$ 500</b>	<b>\$ 2,658,532</b>
Net Change in Fund Balances	<b>\$ 415,613</b>	<b>\$ 22,756</b>	<b>\$ 438,369</b>
Fund Balances - Beginning	1,124,128	66,775	1,190,903
Fund Balances - Ending	<b>\$ 1,539,741</b>	<b>\$ 89,531</b>	<b>\$ 1,629,272</b>

The accompanying notes are an integral part of this financial statement.



COUNTY OF GLASSCOCK  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 438,369</b>
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net assets.	287,724
The gross amount received from the sale of capital assets used in governmental activities is reported in the governmental funds as other financing sources. In the government-wide financial statements sales proceeds are reduced by the remaining depreciable basis of the assets. The net effect of the remaining depreciable basis is to decrease net assets.	(3,802)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	<u>(207,214)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 515,077</u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Net Assets - Modified Cash Basis  
Proprietary Fund  
September 30, 2007

	<u>Water System Enterprise Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 611
TexPool	<u>57,995</u>
Total Current Assets	<u>\$ 58,606</u>
Noncurrent Assets:	
Capital Assets:	
Land	\$ 20,000
Water System	<u>1,614,330</u>
Total	<u>\$ 1,634,330</u>
Less Accumulated Depreciation	<u>(330,753)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,303,577</u>
Total Assets	<u>\$ 1,362,183</u>
<u>LIABILITIES</u>	
Current Liabilities:	
None	<u>\$ 0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,303,577
Unrestricted	<u>58,606</u>
Total Net Assets	<u><u>\$ 1,362,183</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Modified Cash Basis  
 Proprietary Fund  
 Year Ended September 30, 2007

	<u>Water System Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges Sales and Services:	
Water Sales	\$ 46,919
Other Services	250
	<u>47,169</u>
Total Operating Revenues	<u>\$ 47,169</u>
<u>OPERATING EXPENSES</u>	
Salaries and Benefits	\$ 19,536
Utilities	5,856
Insurance	12,533
Repair and Maintenance	4,458
Other	2,707
Depreciation	40,359
	<u>85,449</u>
Total Operating Expenses	<u>\$ 85,449</u>
Operating Loss	\$ (38,280)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Earned	<u>2,858</u>
Change in Net Assets	\$ (35,422)
Total Net Assets - Beginning	<u>1,397,605</u>
Total Net Assets - Ending	<u><u>\$ 1,362,183</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Cash Flows - Modified Cash Basis  
Proprietary Fund  
Year Ended September 30, 2007

	<u>Water System Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers and Users	\$ 47,169
Cash Payments for Goods and Services	(25,554)
Cash Payments for Salaries and Benefits	<u>(19,536)</u>
Net Cash Provided (Used) by Operating Activities	\$ 2,079
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>2,858</u>
Net Increase in Cash and Cash Equivalents	\$ 4,937
Cash and Cash Equivalents - Beginning	<u>53,669</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 58,606</u></u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Loss	\$ (38,280)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	<u>40,359</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,079</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
September 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 47,921</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 30,722
Due to Other Governments	13,760
Due to Others	<u>3,439</u>
Total Liabilities	<u>\$ 47,921</u>

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The accompanying notes are an integral part of this financial statement.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements  
September 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Glasscock, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

The County of Glasscock, Texas, was organized by an Act of the Texas Legislature in April 1893. The County is governed by the Commissioners' Court, a five member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. The County also provides water utilities. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net assets.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

**Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and the changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities of the proprietary funds are reported in the financial statements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards apply to the modified cash basis of accounting and to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

**Basis of Accounting**

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements and the proprietary fund financial statements. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental fund:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

The government reports the following major proprietary fund:

Enterprise Fund - Water Fund - This Fund accounts for the operation of the water system.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

**D. Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the County to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, investment pools, and other investments specifically allowed by Chapter 2256, "Public Funds Investment," and Chapter 2257, "Collateral for Public Funds," of the Government Code.

The County's investment policies and types of investments are governed by the Public Funds Investment Act. The County's management believes that it complied with the requirements of the Public Funds Investment Act and the County's investment policies.

Investments are reported at cost. The investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is cost.

**E. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net assets.

**F. Capital Assets**

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Machinery and Equipment	5-10
Water System	40



COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Capital Assets - Continued**

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

**G. Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**H. Long-Term Debt**

Long-term debt arising from modified cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide financial statements.

**I. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave does not accumulate or vest, but employees may accumulate up to 90 days of sick leave. Upon separation from service, employees are paid for any current vacation leave which has been earned but not used; however, unused sick leave is not paid.

**J. Fund Equity**

Fund equity is presented in the fund financial statements as follows:

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unrestricted net assets for proprietary funds represent the net assets available for future operations.

**K. Property Tax Revenues**

Property values are assessed on January 1 of each year at which time a tax lien attaches to the property to secure the payment of taxes. Property taxes are levied on October 1 of each year. The taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year at which time they become subject to penalties and interest.

Property taxes are recognized as revenues when they are collected.

**L. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

**B. Excess Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following programs:

General Fund		
Tax Assessor-Collector	\$	7,402
Justice System		
Jail		37,721
Public Safety		
Ambulance Expense		1,831

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

The County had the following investments as of September 30, 2007:

<u>Investment Type</u>	<u>Reported Amount/ Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Standard &amp; Poor's Rating</u>
TexPool	<u>\$ 1,154,335</u>	33 Days	AAA

**Interest Rate Risk:** The County's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

**Credit Risk:** The County's investment policy permits only investments specifically allowed by Chapter 2256, "Public Funds Investment," of the Government Code.

**Concentration of Credit Risk:** The County's investment policy is to reduce the risk of loss resulting from over concentration of assets in a specific class of investments; however, the County's policy places no specific limit on the amount which the County may invest in any one issuer.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. The County's bank balances totaled \$2,858,490 as of February 28, 2007, of which \$280,010 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized      \$ 280,010

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

B. Interfund Receivables and Payables

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Fiduciary Funds	<u>\$ 28,590</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 2,132</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 28,590	Unremitted Fees
Nonmajor Governmental Funds	0	2,132	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 30,722</u>	
Totals	<u>\$ 30,722</u>	<u>\$ 30,722</u>	

All amounts due are expected to be repaid within one year.

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 133,519	\$ 0	\$ 0	\$ 133,519
Buildings and Improvements	1,916,501	47,316	0	1,963,817
Machinery and Equipment	1,936,574	250,383	6,250	2,180,707
Construction in Progress	9,975	0	9,975	0
<b>Total Capital Assets</b>	<b>\$ 3,996,569</b>	<b>\$ 297,699</b>	<b>\$ 16,225</b>	<b>\$ 4,278,043</b>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (922,609)	\$ (65,575)	\$ 0	\$ (988,184)
Machinery and Equipment	(1,347,690)	(141,639)	(2,448)	(1,486,881)
<b>Total Accumulated Depreciation</b>	<b>\$ (2,270,299)</b>	<b>\$ (207,214)</b>	<b>\$ (2,448)</b>	<b>\$ (2,475,065)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,726,270</b>	<b>\$ 90,485</b>	<b>\$ 13,777</b>	<b>\$ 1,802,978</b>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 20,000	\$ 0	\$ 0	\$ 20,000
System	1,614,330	0	0	1,614,330
<b>Total Capital Assets</b>	<b>\$ 1,634,330</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,634,330</b>
Less Accumulated Depreciation				
System	(290,394)	(40,359)	0	(330,753)
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,343,936</b>	<b>\$ (40,359)</b>	<b>\$ 0</b>	<b>\$ 1,303,577</b>

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets - Continued

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 18,086
Roads and Bridges	73,730
Justice System	22,788
Public Safety	55,504
Public Health and Welfare	611
Culture and Education	7,274
Community and Economic Development	<u>29,221</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 207,214</u>
Business-Type Activities	
Water	<u>\$ 40,359</u>

IV. OTHER INFORMATION

A. Retirement Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.02% for the months of the accounting year in 2006 and 10.41% for the months of the accounting year in 2007.

The deposit rate payable by the employee members for calendar year 2007 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost - For the employer's accounting year ended September 30, 2007, the annual pension cost for the TCDRS plan for its employees was \$74,437, and the actual contributions were \$74,437.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement 27 parameters based on the actuarial valuations as of December 31, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-04	12-31-05	12-31-06
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Closed
Amortization Period	20	20	15
Asset Valuation Method	Long-Term Appreciation With Adjustments	Long-Term Appreciation With Adjustments	SAF: 10-Year Smoothed Value ESF: Fund Value
Actuarial Assumptions:			
Investment Return <sup>1</sup>	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

<sup>1</sup> Includes Inflation at the Stated Rate

Trend Information

Accounting Year Ended,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-05	\$ 79,593	100%	\$ 0
9-30-06	73,464	100%	0
9-30-07	74,437	100%	0

COUNTY OF GLASSCOCK  
Notes to the Financial Statements - Continued  
September 30, 2007

**IV. OTHER INFORMATION - Continued**

**A. Retirement Plan - Continued**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll <sup>1</sup>	UAAL as a Percentage of Covered Payroll
12-31-04	\$ 2,131,381	\$ 2,603,003	\$ 471,622	81.88 %	\$ 649,720	72.59 %
12-31-05	2,336,580	2,805,314	468,734	83.29 %	682,992	68.63 %
12-31-06	2,596,077	2,952,345	356,268	87.93 %	710,649	50.13 %

<sup>1</sup> The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

**B. Postretirement Health Care Benefits**

The County pays health insurance premiums for retired elected officials and other retired employees. The County pays the premiums monthly as they are billed by the insurance carrier and charges the cost to insurance in the financial statements. The County paid premiums totaling \$45,609 for 11 retirees during the current year.

**C. Self-Insurance**

The County has entered into an interlocal participation agreement with the West Texas Rural Counties Association Insurance Pool (the Pool). The Pool is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide assistance in financing each member's risk of loss pursuant to the provisions of Article 715c, Texas Revised Civil Statutes Annotated, and Chapter 172 of the Local Government Code. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The County's participation in the Pool is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid to the Pool. The Pool is required to provide stop-loss coverage and/or maintain reserves to insure that the participation of the County is maintained on a nonassessable basis at all times. The County made contributions to the Pool for the coverage selected based upon rates established by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience. The Pool may impose a surcharge on the County as a condition of continued participation in the Pool when the County has a higher loss experience than identified in the underwriting standards. The County's participation in the Pool consists of the Risk Management Pool which provides coverage for property damage, general liability, law enforcement liability, automobile liability and physical damage, public officials' liability, and workers' compensation.

**D. Closure and Postclosure Care Costs**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County is required by state and federal laws and regulations to annually provide assurance that financial resources will be available to provide for closure, postclosure care, and remediation or containment of environmental hazards. The County has complied with this requirement by obtaining a letter of credit from a bank.

Required Supplementary Information



COUNTY OF GLASSCOCK  
 Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Modified Cash Basis - Budget and Actual  
 General Fund  
 Year Ended September 30, 2007

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES</u></b>				
Taxes	\$ 2,443,523	\$ 2,443,523	\$ 2,411,489	\$ (32,034)
Fees	245,500	245,500	292,579	47,079
Fines	20,000	20,000	22,795	2,795
Intergovernmental	42,867	42,867	128,054	85,187
Interest	60,000	60,000	93,874	33,874
Miscellaneous	24,815	24,815	124,854	100,039
	<u>\$ 2,836,705</u>	<u>\$ 2,836,705</u>	<u>\$ 3,073,645</u>	<u>\$ 236,940</u>
<b><u>EXPENDITURES</u></b>				
General Government				
Tax Assessor-Collector	\$ 115,859	\$ 115,847	\$ 123,249	\$ (7,402)
County and District Clerk	83,598	83,598	78,940	4,658
County Judge	66,046	66,046	64,940	1,106
County Commissioners	132,621	132,621	130,045	2,576
County Treasurer	50,582	50,582	49,849	733
Courthouse Custodian	33,964	35,414	35,320	94
Appraisal District	59,105	59,105	58,885	220
Insurance	150,000	150,000	130,457	19,543
Trapper Expense	52,800	52,800	52,800	0
Other	247,712	202,872	161,823	41,049
Total General Government	<u>\$ 992,287</u>	<u>\$ 948,885</u>	<u>\$ 886,308</u>	<u>\$ 62,577</u>
Roads and Bridges				
Road Crew	\$ 1,149,706	\$ 1,219,706	\$ 1,195,573	\$ 24,133
Lateral Road	10,600	10,600	10,520	80
Total Roads and Bridges	<u>\$ 1,160,306</u>	<u>\$ 1,230,306</u>	<u>\$ 1,206,093</u>	<u>\$ 24,213</u>
Justice System				
County and District Clerk	\$ 27,866	\$ 27,866	\$ 26,313	\$ 1,553
Justice of the Peace	32,216	32,216	31,168	1,048
County Attorney	6,440	6,440	6,446	(6)
Court Reporter	1,924	1,924	1,823	101
Jail	22,475	22,475	60,196	(37,721)
Other	15,500	18,625	15,881	2,744
Total Justice System	<u>\$ 106,421</u>	<u>\$ 109,546</u>	<u>\$ 141,827</u>	<u>\$ (32,281)</u>

COUNTY OF GLASSCOCK  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
General Fund - Continued  
Year Ended September 30, 2007

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> - Continued				
Public Safety				
Sheriff	\$ 200,357	\$ 210,394	\$ 202,721	\$ 7,673
Constable	19,617	19,617	19,164	453
Emergency Management	13,917	23,017	22,815	202
Fire Departments	88,879	18,919	12,247	6,672
Ambulance Expenses	10,000	10,000	11,831	(1,831)
Other	8,775	8,775	6,373	2,402
Total Public Safety	<u>\$ 341,545</u>	<u>\$ 290,722</u>	<u>\$ 275,151</u>	<u>\$ 15,571</u>
Public Health and Welfare				
Landfill Expenses	\$ 26,500	\$ 42,200	\$ 42,192	\$ 8
Indigent Health Care	195,482	195,482	0	195,482
Total Public Health and Welfare	<u>\$ 221,982</u>	<u>\$ 237,682</u>	<u>\$ 42,192</u>	<u>\$ 195,490</u>
Culture and Education				
County Agent	\$ 31,871	\$ 38,191	\$ 38,137	\$ 54
FCS Agent	23,909	22,264	22,103	161
County and FCS Agents	19,593	19,593	19,265	328
Total Culture and Education	<u>\$ 75,373</u>	<u>\$ 80,048</u>	<u>\$ 79,505</u>	<u>\$ 543</u>
Community and Economic Development				
Community Center	<u>\$ 27,000</u>	<u>\$ 27,725</u>	<u>\$ 26,956</u>	<u>\$ 769</u>
Total Expenditures	<u>\$ 2,924,914</u>	<u>\$ 2,924,914</u>	<u>\$ 2,658,032</u>	<u>\$ 266,882</u>
Net Change in Fund Balance	\$ (88,209)	\$ (88,209)	\$ 415,613	\$ 503,822
Fund Balance - Beginning	<u>1,124,128</u>	<u>1,124,128</u>	<u>1,124,128</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 1,035,920</u>	<u>\$ 1,035,920</u>	<u>\$ 1,539,741</u>	<u>\$ 0</u>

Supplementary Information

COUNTY OF GLASSCOCK  
 Taxing History for Ten Years  
 September 30, 2007

The assessed valuations, tax rates, and taxes levied by the County of Glasscock for the past ten years are shown below:

<u>Tax Roll Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Taxes Levied</u>
1997	\$ 371,285,450	\$ 0.422691	\$ 1,569,387
1998	353,475,530	0.444786	1,572,209
1999	252,313,620	0.624363	1,575,352
2000	334,036,680	0.560000	1,866,141
2001	449,110,580	0.460000	2,066,092
2002	369,469,480	0.575880	2,127,701
2003	370,738,910	0.592520	2,196,702
2004	429,273,062	0.528910	2,270,470
2005	549,015,264	0.412326	2,263,732
2006	675,386,250	0.362300	2,446,921

COMPLIANCE AND INTERNAL CONTROLS SECTION

**ECKERT, INGRUM, TINKLER, OLIPHANT, FEATHERSTON & BARR, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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TEXAS SOCIETY OF CPAs

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable County Judge  
and Commissioners' Court  
County of Glasscock  
P.O. Box 67  
Garden City, TX 79739-0067

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the County of Glasscock, Texas, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Glasscock's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Glasscock's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Glasscock's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. The reference number of the finding is: 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency listed as reference number 07-1 is not a material weakness.

We noted certain matters involving the internal control over financial reporting that we reported to management of the County of Glasscock in a separate letter dated January 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Glasscock's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County of Glasscock's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response, and accordingly we express no opinion on it.

This report is intended solely for the information and use of the Commissioners' Court and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Eckert, Ingram, Jinkler, Oliphant, Featherston & Barr, L.L.P.*

January 28, 2008

COUNTY OF GLASSCOCK  
Schedule of Findings and Responses  
Year Ended September 30, 2007

**Findings -**

Reference Number: 07-1

The limited number of employees which the County has in the various offices prohibits the County from establishing a proper system for the segregation of duties. Segregation of duties is a key element of internal control.

**Responses -**

Reference Number: 07-1

The County recognizes that there is a limited segregation of duties. However, the current employee structure and budget constraints make it impossible to have a complete segregation of duties. The County feels that the controls which they have in place reduce the risks associated with a lack of segregation of duties to a level which is acceptable to the County.